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UNITED STATES DEPARTMENT OF AGRICULTURE
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HOG PRODUCERS AND THE AAA CORN PROGRAM



What will be the price of hogs by the end of 1939?

How many hogs will go to market next year?

What protection can hog producers expect from the
AAA Corn Program?

Large corn supplies bring large pig crops and large hog marketings. Increases in hog marketings reduce hog prices. Higher national income means consumers have more money to spend for pork. That helps to hold hog prices up.

Farmers need to guard against hog marketings out of line with consumer incomes. They can protect their livestock incomes by avoiding corn surpluses and low corn prices. The AAA corn program offers them a way to hold corn acreage in balance with livestock requirements and consumer buying power.

January, 1939

HOG PRODUCERS AND THE AAA CORN PROGRAM

With the production of larger than average corn crops in 1937 and 1938, farmers have increased hog production rapidly. The 1938 pig crop is 15 percent larger than the crop of 1937. The December pig crop report indicates an increase in the 1939 spring pig crop of 21 percent above the 1938 spring pig crop. A crop of this size would be almost as large as the 1929-1933 average.

Hog marketings reached an exceptionally low point immediately after the corn crop shortages caused by the droughts of 1934 and 1936 had forced farmers to cut production far below the levels aimed at by AAA programs.

The drought prices of hogs were high. At the end of 1937 and during the last months of 1938, marketings increased. Prices dropped in response. Consumer buying power declined in 1938, causing further drops in hog prices. Larger marketings in 1939 are inevitable. When marketings increase, prices usually go down. Rises in consumer buying power can help to hold prices up. National income and consumer buying power improved toward the end of 1938. Prospects are for continued improvement, but not enough to prevent lower hog prices next fall.

We were exporting at least a billion pounds of pork and lard each year before 1930. Lower foreign demand, high trade barriers, and the droughts cut these exports to a low point of 159,000,000 pounds in 1935-36. They rose again in 1937-38 to 270,000,000 pounds and are expected to continue some rise. But the foreign trade barriers will keep much of our surpluses from being sold to foreign countries. Therefore, farmers have little chance of selling much larger pork supplies abroad at good prices this year.

Corn prices were high following the droughts. The large 1937 crop caused the prices to fall. Short hog numbers left 362,000,000 bushels of the large 1937 crop on the market when the above-average 1938 crop was harvested. Corn acreage was held in check by the AAA programs, but exceptionally good weather brought large yields. The 50-cent loan for 1937 corn stabilized the price through most of the crop year. The 57-cent loans available this fall and winter are protecting AAA cooperators from low market prices.

When corn prices are low in relation to hog prices, farmers feed their cheap corn to hogs. If they sell it in the form of higher priced hogs and cattle, they "beat" the weak corn market. Farmers throughout the country are trying to do that now. Many are increasing

hogs as rapidly as breeding stock and space will permit. They want to feed 40-cent corn to seven-dollar hogs. That is good business when it can be done. Many farmers are planning to breed more sows for late spring farrowings and then to increase fall pig production even more. All this means lower hog prices next fall and next year. It means smaller incomes for 1938 corn fed to hogs and for corn produced in 1939 for hog feeding. If hog prices go down to \$5.00 per hundred, it will not pay farmers to feed corn that could be put under a 57-cent loan. That is the danger of large increases in hog production at this time.

Pigs produced this spring will not go to market at present prices. They will be sold at the prices available around eight months after they are farrowed. To decide whether it will be profitable to increase hogs, present and future corn prices must be compared with prospective hog prices for next fall, winter, and spring. If the price of hogs is low when they are sold, it will not pay to feed present or future corn supplies to increased hog numbers.

Excess corn at low prices is a danger sign to livestock producers. The AAA corn program offers a definite safeguard to livestock farmers. It will protect them from large corn surpluses that result from excess acreage. It affords protection against low corn prices that would force cash grain farmers into livestock feeding.

The program provides for acreage allotments for farmers as their shares of desirable national corn production. These are designed to balance supplies with available markets. Payments amounting to 14 or 15 cents per bushel for conservation and price adjustment are to be made to farmers who plant within their acreage allotments.

Corn loans will be available to farmers who plant within their 1939 corn allotments. The Agricultural Adjustment Act of 1938 provides for loans to AAA cooperators every year under specified conditions and rates.

Farmers can get this price and income protection without gambling on the chances for a profit from overexpanding hog production.

CORN SUPPLY, PIG CROP, INSPECTED HOG SLAUGHTER,
NATIONAL INCOME, AND PRICES OF HOGS, 1932-1939

YEAR	CORN SUPPLY <u>1/</u> (Million Bushels)	PIG CROP <u>2/</u> (Millions)	HOG SLAUGHTER LIVE WEIGHT <u>3/</u> (Billion Pounds)	NATIONAL INCOME <u>3/</u> (Billion Dollars)	AVERAGE PRICE RECEIVED BY FARMERS <u>3/</u> (Dollars)
1932	2,743	82.5	10.4	49.0	3.44
1933	3,202	84.2	10.9	45.7	3.94
1934	2,786	56.8	9.7	52.2	4.17
1935	1,798	55.1	5.9	56.0	8.36
1936	2,369	65.3	8.2	62.9	9.30
1937	1,687	61.9	7.1	69.3	9.45
1938 <u>4/</u>	2,711	71.1	8.3	64.5	7.60
1939 <u>4/</u>	2,904				

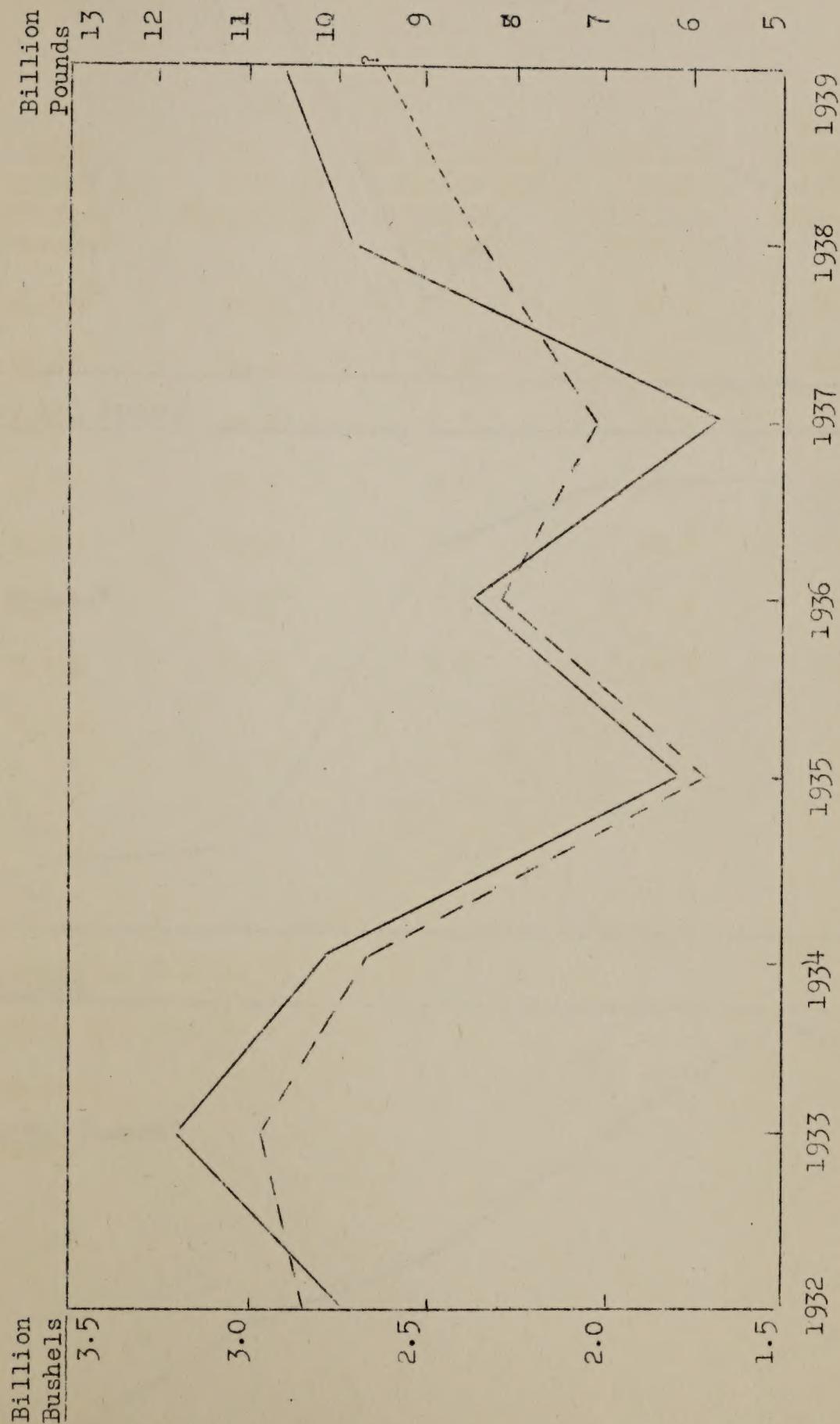
1/ As of preceding October 1.

2/ Year ending November 30.

3/ Calendar year.

4/ Preliminary.

HOG MARKETINGS FOLLOW CORN SUPPLIES

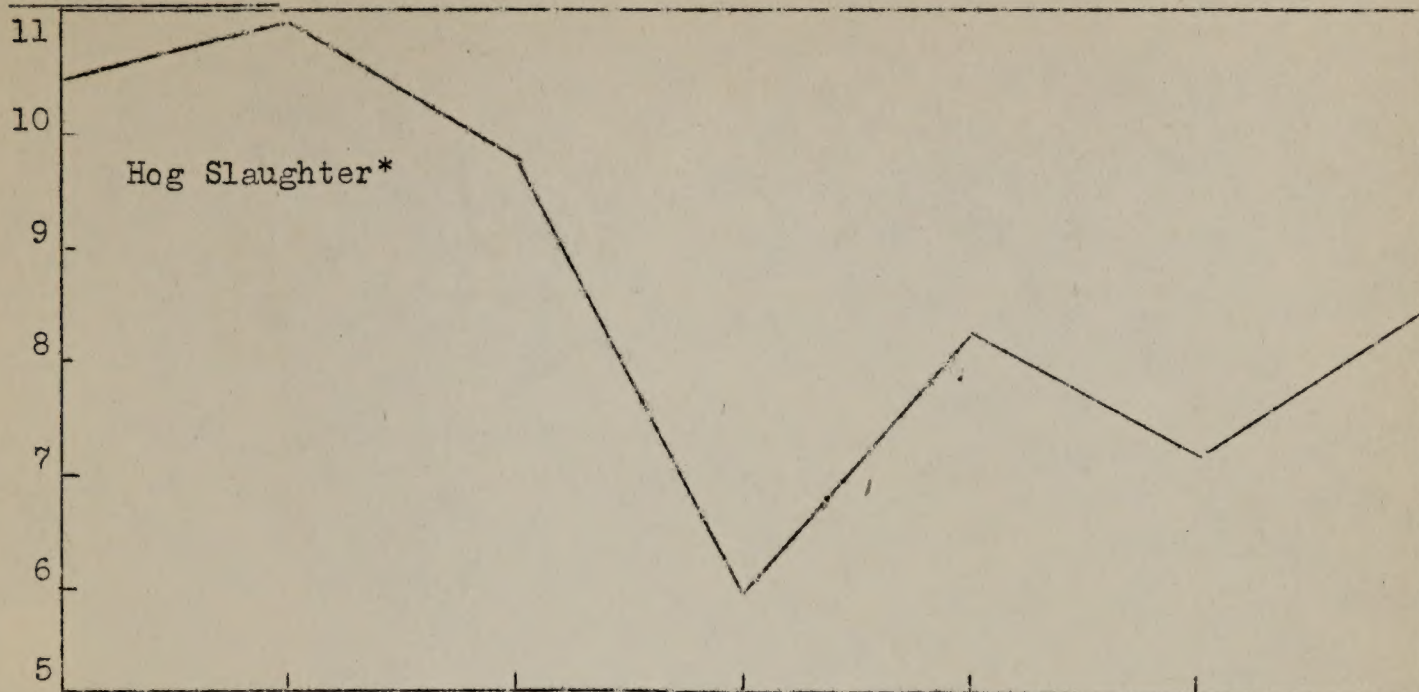


— Total supply of corn as of preceding October 1st.

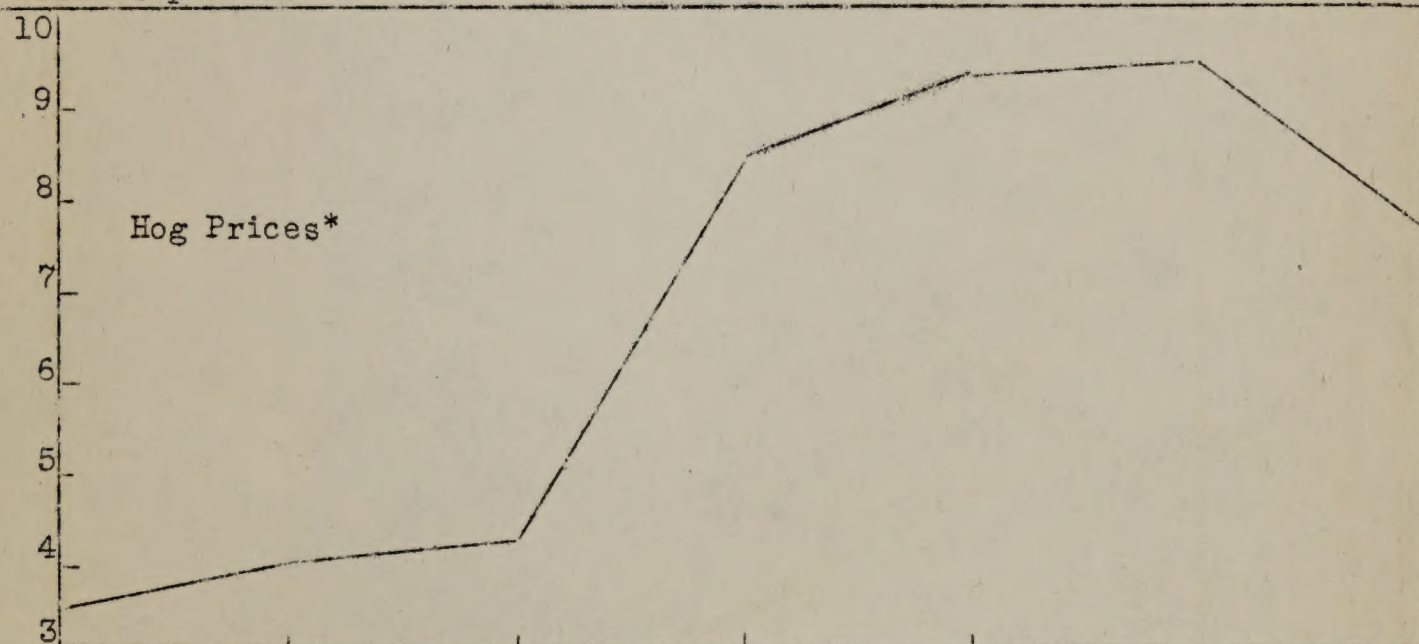
- - - Hogs slaughtered under Federal Inspection (calendar year).

EFFECT OF HOG MARKETINGS AND CONSUMER BUYING POWER UPON HOG PRICES

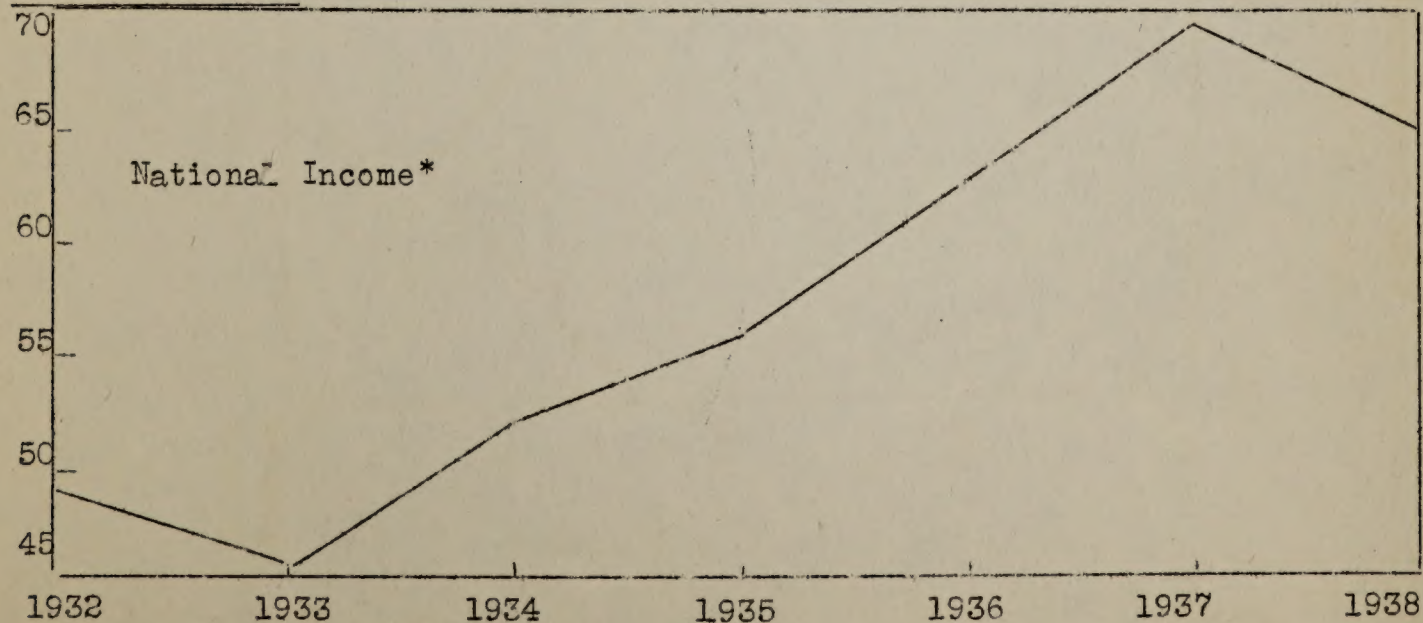
Billion Pounds



Dollars per 100 Pounds



Billion Dollars



* Calendar year basis.

